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BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-287-W/S - ORDER NO. 91-1090✓
DECEMBER 10, 1991

IN RE: Application of TCU, Inc. for Approval)
of a New Schedule of Rates and Charges) ORDER ON
for Water and Sewer Service Provided) REHEARING
to Tega Cay, South Carolina.)

This matter is before the Public Service Commission of South Carolina (the Commission) upon the rehearing ordered by the Commission pursuant to Order No. 91-535 (July 3, 1991). As specified by Order No. 91-535, TCU, Inc's (the Company's or TCU's)¹ claim that its 14.1% unaccounted for water rate during the test year was reasonable was not supported by the evidence of record from the original hearing.² Accordingly, the Commission granted the Intervenor Consumer Advocate for the State of South Carolina's (the Consumer Advocate's) Petition for Reconsideration on the issue of TCU's unaccounted for water.

A rehearing for the purpose of presenting evidence concerning TCU's unaccounted for water was held on October 29, 1991, in the Commission's hearing room. Pursuant to S.C. Code Ann. §58-3-95

1. By Order No. 91-1052 (November 22, 1991), the Commission approved the transfer of TCU's assets and its Certificate of Public Convenience and Necessity to Tega Cay Water Service, Inc.

2. A public hearing concerning the matters asserted in the Company's Application was held on April 18 and April 25, 1991.

(Supp. 1990), a panel of three Commissioners, Commissioner Bowers (presiding), Commissioner Mitchell, and Commissioner Yonce, was designated to rule on this matter. Mitchell M. Willoughby, Esquire, represented TCU; Carl F. McIntosh, Esquire, represented the Consumer Advocate; and Gayle B. Nichols, Staff Counsel, represented the Commission Staff. TCU presented the testimony of Carl Daniel, Vice President and Regional Director of Operations of Carolina Water Service, Inc. of North Carolina and Tega Cay Water Service, Inc. Mr. Daniel explained that Tega Cay Water Service had applied to the Commission for approval to transfer TCU's franchise and that Tega Cay Water Service, Inc. had been operating the water and sewer facilities at Tega Cay for the past two months. The Commission Staff (the Staff) presented the testimony of Charles A. Creech, Chief of the Commission's Water and Wastewater Department. Although Intervenor Albert K. Stebbins, III, was not present at the hearing, all parties agreed that his pre-filed direct testimony should be placed into the record as if sworn and testified to at the hearing. (Tr., Vol. 6, p. 27, lines 1-14). No other parties appeared or testified at the hearing.³

Upon thorough consideration of the evidence presented and the applicable law, the Commission makes the following findings of fact and conclusions of law:

3. All other parties, Intervenor Anthony Tarulli, the City of Tega Cay, Carol D. Higgins, and the Property Owners Association of Tega Cay, had been duly notified of the hearing.

FINDINGS OF FACT

1. After completion of an audit conducted after the issuance of Order No. 91-535, Mr. Daniel testified the Company determined it had produced 20,165,000 gallons of water that it had not sold. Mr. Daniel explained that this volume of water produced an unaccounted for rate of 18.3% which it considered acceptable. (Tr., Vol. 6, p. 10, lines 7-22; p. 12, lines 19-24).

2. Of the initial 20,165,000 gallons of unaccounted for water, Mr. Daniel testified the Company located the use of 20,075,000 gallons. Approximately 8,085,000 gallons had been used for chlorination and dechlorination of the wastewater treatment plant effluent to meet South Carolina Department of Health and Environmental Control (DHEC) guidelines; 4,840,000 gallons had been used to flush water mains to remove iron and manganese sediment; and an additional 50,000 gallons of water had been used to flush sewer mains. (Tr., Vol. 6, p. 10, line 28-p. 7, line 2).

3. Mr. Daniel testified that of the initial 20,165,000 gallons of unaccounted for water, the Company determined that 3,240,000 gallons had been used by a customer for irrigation, that 300,000 gallons had been used to fill a customer's swimming pool, that 100,000 gallons had been used by the fire department, and that 50,000 gallons had been used to wash the City of Tega Cay's streets and drains. (Tr., Vol. 6, p. 10, lines 28-36). Daniel admitted the Company should have charged its customers for the use of this water and that these charges would have increased TCU's revenues. (Tr., Vol. 6, p. 19, lines 15-24; p. 22, lines 14-23).

Mr. Daniel stated that, on a prospective basis, the Company intended to charge the appropriate customers for these water uses. (Tr., Vol. 6, p. 22, line 24-p. 23, line 16).

4. Mr. Daniel testified that, at the conclusion of TCU's water audit, the Company was unable to locate 3.18% of its originally unaccounted for water. (Tr., Vol. 6, p. 25, lines 5-11). Mr. Daniel testified the Company attributed the remaining 3.18%, or 3,500,000 gallons, of the initial 20,165,000 gallons to water leaks. (Tr., Vol. 6, p. 24, lines 14-18).

5. Mr. Daniel testified that it was the Company's opinion that the rates approved by the Commission in Order No. 91-367 (May 17, 1991) were appropriate and that the Company's unaccounted for water should not result in a reduction of those rates. (Tr., Vol. 6, p. 14, lines 5-9).

6. Mr. Stebbins testified that the Commission should reduce the Company's approved commodity charge from \$2.50 to \$2.40 per thousand gallons to approximate the Company's authorized water use for which it had not billed or collected revenue. Mr. Stebbins stated that this \$.10 reduction in rates should be applied retroactively. (Tr., Vol. 6, p. 28, lines 11-16).

7. Mr. Creech testified that the Staff verified TCU's records and methodology for determining its water production and distribution for the test year. (Tr., Vol. 6, line 1-6). He explained that of the 18.34% of water produced but not charged for, 11.8% was used for the legitimate purpose of maintaining and operating the water and wastewater system, 3.36% was authorized

for use but the Company should have billed a customer, and 3.18% was lost through system leakage. Mr. Creech testified that, based on his review of the Texas Water Utilities Association's "Manual of Water Utility Operations," the 3.18% of water lost through leaks was reasonable. (Tr., Vol. 6, p. 34, lines 1-6; lines 16-23; p. 37, lines 1-10).

8. Mr. Creech further testified that during the test year the Company had not billed the Tega Cay Fire Department, the City of Tega Cay, and the Tega Cay Clubhouse for certain of their uses of water. Mr. Creech stated that it was his opinion that the Company's general body of ratepayers had been improperly subsidizing these customers. Mr. Creech testified that the Company's revenues would have increased by \$9,441 if it had charged these customers for this water. (Tr., Vol. 6, p. 34, line 24- p. 35, line 10).

9. Finally, Mr. Creech testified that he proposed the Commission discontinue use of the term "unaccounted for water" because the term was broad and described a variety of water uses. For instance, Mr. Creech explained that "unaccounted for water" has mistakenly been used to describe water for which there was a known use but for which the utility did not bill a customer. Mr. Creech instead proposed the Commission adopt the following terms and definitions from the American Water Works Association - Research Foundation, "Water and Revenue Losses; Unaccounted - for Water" (December 1987):

"ACCOUNT WATER" is all water for which an account exists. The water is metered, and the account is

billed.

"NON ACCOUNT WATER" is the sum of water that is produced or purchased by a company that is not covered by the term "Account Water."

"AUTHORIZED WATER USES" are all water uses known and approved or authorized by the utility. These uses include all metered uses and reliable estimates of all other approved uses; such as: public, fire, system, operational, or paid-for uses.

"UTILITY WATER USE" is the water which is removed from the distribution system by the utility for the purpose of maintaining and operating the system. This should include both the metered and unmetered water removed, with those unmetered uses being reliably estimated.

"SYSTEM LEAKAGE" is all water that is lost from the system through leaks, and breaks and includes all unavoidable leaks and all recoverable leaks and breaks.

(Tr., Vol. 6, p. 32, line 16- p. 33, line 26).

CONCLUSIONS OF LAW

1. The Company is a water and sewer utility providing service in its service area within South Carolina. The Company's operations in South Carolina are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §58-5-10, et. seq. (1976).

2. By Order No. 91-367 (May 17, 1991) in this same docket, the Commission approved a 3.34% operating margin for the Company. The Commission determined that in order for the Company to have an opportunity to earn this operating margin, the Company would need to produce \$594,554 in total annual operating revenues. Consequently, the Commission approved an increase in the Company's previously approved commodity charge from \$1.50 to \$2.50 per 1,000 gallons.

3. The Commission concludes that the terms "account water,"

"nonaccount water," "authorized water uses," "utility water use," and "system leakage," as defined on pages 5 and 6 of this Order, more accurately describe the potential uses of water produced or purchased by a water utility than "unaccounted for water." Accordingly, the Commission hereby adopts the use of these terms where possible for all future water utility proceedings. The Commission will refer to these terms in the remainder of this Order.

4. The Commission concludes that the Company produced 20,165,000 gallons of nonaccount water during the test year. Of this volume, the Commission finds that 12,975,000 gallons were reasonably used for utility water purposes.

5. The Commission concludes that the Company had been improperly requiring its general body of ratepayers to subsidize those customers to whom it had authorized the use of 3,690,000 gallons of water without charge. The Commission finds that the Company should have charged the appropriate customers for their actual water use and that the Company should have produced an additional \$9,441 in operating revenues.

6. The Commission continues to find that its approval of a 3.34% operating margin in Order No. 91-367 is fair and reasonable. Moreover, the Commission recognizes that there was no testimony at the hearing which suggested that the 3.34% operating margin was unreasonable. Accordingly, in order for the Company to continue to have the opportunity to earn a 3.34% operating margin with its increased revenues of \$9,441, it is necessary to reduce the

approved commodity charge by \$.10 or from \$2.50 to \$2.40 per thousand gallons. The Commission concludes that the \$.10 reduction in the commodity charge is appropriate.⁴

7. The Commission finds that the Company was unable to locate 3,500,000 gallons of water which produced but was not sold during the test year. The Commission concludes that this loss was appropriately attributed to system leakage and that the loss of 3.18% of the water produced is reasonable.

THEREFORE, the Commission orders as follows:

1. The \$2.50 commodity charge approved by Order No. 91-367 (May 18, 1991) is hereby reduced to \$2.40 per thousand gallons as reflected on the attached Appendix A.⁵ This rate is approved for service rendered on and after the date of this Order. The schedule is deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240(1976).

2. The Company shall maintain its books and records for water and sewer operations in accordance with the NARUC Uniform System of Accounts for Class A and B Water and Sewer Utilities, as adopted by this Commission. In addition, the Company shall maintain accurate records of its account water and nonaccount

4. The \$.10 reduction was determined by dividing the imputed revenue of the unbilled water by the total gallons of water that were billed and which should have been billed and then by rounding the result to the nearest cent.

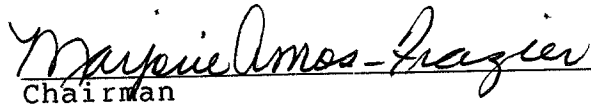
$\$9,441 / 93,505,000 =$
9.9 cents per 1,000 gallons =
10 cents per 1,000 gallons

5. The attached Appendix A reflects the Company's approved schedule of rates and charges.

water.

3. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

TCU, INC.

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RATES AND CHARGES

I. WATER

1. MONTHLY CHARGES

- a. Basic Facility Charge \$ 6.00 per single- family
equivalent unit

PLUS

- b. Commodity Charge \$2.40 per 1,000 gallons
(Usage)
- c. The basic facility charge is a minimum charge per unit and shall apply even if the equivalency rating is less than one(1). If the equivalency rating is greater than one(1), then the monthly basic facility charge may be obtained by multiplying the equivalency rating by the basic facility charge of \$ 6.00.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units served through such meter will be averaged; a bill will be calculated based on the average plus the addition of the basic facility charge per unit and the result multiplied by the number of units served by a single meter.

2. NONRECURRING CHARGES

- a. Tap fee includes a water service connection charge and capacity fee \$600.00
per single-family equivalent***

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The nonrecurring charges listed above are minimum charges and apply even if the equivalency is less than one. If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for and/or initial connection to the water system is requested.

(**Unless prohibited by contract approved by South Carolina Public Service Commission.)

3. RECONNECTIONS AND ACCOUNT SET UP CHARGES

- a. Water reconnection fee \$40.00
- b. Customer account charges \$30.00
(One-time fee to be charged
to each new account to defray
cost of initiating service)

4. OTHER SERVICES

- a. Fire Hydrant - One Hundred (\$100.00) per hydrant per year for water service payable in advance. Any water used should be metered and the commodity charge in Section One (1) above will apply to such usage.

II. SEWER RATE SCHEDULE

1. MONTHLY CHARGES

- a. Residential - Monthly charge per single-family house, condominium, villa or apartment unit \$20.00
- b. Commercial - Monthly charge per single-family equivalent \$20.00
- c. The monthly charges listed above are minimum charges and shall apply even if the equivalency is less than one (1). If the equivalency is greater than one (1), then the monthly charges may be calculated by multiplying the equivalency rating by the monthly charge of \$20.00.

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Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

2. NONRECURRING CHARGES

- a. Tap fees (which include sewer service connection charges and capacity charges) \$1,200.00
- b. The nonrecurring charges listed above are minimum and apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES

- a. Notification Fee: A fee of \$15.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customer creating the cost.
- b. Customer Account Charge: A fee of \$20.00 shall be charged as a one-time fee to defray the cost of initiating service. This charge will be waived if the customer is also a water customer.
- c. Reconnection Charges: In addition to any charges that may be due, a reconnection fee of \$250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. The amount of the reconnection fee shall be in accordance with R.103.532.4 and shall be charged to conform with said rule, as the rule is amended from time to time.

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III. GENERAL PROVISIONS

1. BILLING CYCLE

Recurring charges will be billed monthly in arrears. Nonrecurring charges may be billed and collected in advance of service being provided.

2. LATE PAYMENT CHARGES

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1 1/2%) percent each month (or any part of a month) said balance remains unpaid.

3. TAX MULTIPLIER

Except as otherwise provided by contract approved by the South Carolina Public Service Commission, amounts paid or transferred to the Utility by the customers, builders, developers or others, either in the form of cash or property, shall be increased by a cash payment in an amount equal to the income taxes owed on the cash or property transferred to the Utility by the customers, builders, developers or others, and properly classified as a contribution or advance in aid of construction in accordance with the uniform system of accounts. Included in this classification are tap fees.

4. TOXIC AND PRETREATMENT EFFLUENT GUIDELINES

The utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Environmental Control ("DEHC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CRF § 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CRF §§ 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damage and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

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5. LANDLORD/TENANT RELATIONSHIP

In the case of a landlord/tenant relationship where the tenant is the customer, the Utility may require the landlord to execute an agreement wherein such landlord agrees to be responsible for all charges billed to the premises in accordance with the approved tariffs and the Rules of the Commission, and said account shall be considered the landlord's and tenant's account. In the event the landlord refuses to execute such an agreement, the Utility may not discontinue service to the premises unless and until the tenant becomes delinquent on his account or until the premises are vacated. The Utility may discontinue service pursuant to R.103-535.1 if the account is delinquent or may discontinue service at the time the premises are vacated, and the Utility shall not be required to furnish service thereafter to the premises until the landlord has executed the agreement, and paid the reconnection charges.

6. CONSTRUCTION STANDARDS

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the water or sewer systems.

7. SINGLE FAMILY EQUIVALENT

The list set forth below establishes the minimum equivalency rating for commercial customers applying for or receiving sewer service from the Utility. Where the Utility has reason to suspect that a person or entity is exceeding design loading established by the South Carolina Pollution Control Authority in a publication called "Guidelines for Unit Contributory Loading to Wastewater Treatment Facilities" (1972) , as may be amended from time to time or as may be set forth in any successor publication, the Utility shall have the right to request and receive water usage records from the provider of water to such person or entity. Also, the Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that the actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

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TYPE OF ESTABLISHMENT		EQUIVALENCY RATING
1.	Airport	
	(a) Each Employee.....	.025
	(b) Each Passenger.....	.0125
2.	Apartments.....	1.0
3.	Bars	
	(a) Each Employee.....	.025
	(b) Each Seat (Excluding Restaurant).....	.1
4.	Boarding House (Per Resident).....	.125
5.	Bowling Alley	
	(a) Per Lane (No Restaurant).....	.3125
	(b) Additional for Bars and Cocktail Lounges (Per Seat or Person).....	.0075
6.	Camps	
	(a) Resort (Luxury) (Per Person).....	.25
	(b) Summer (Per Person).....	.125
	(c) Day (With Central Bathhouse) (Per Person)	.0875
	(d) Per Travel Trailer Site.....	.4375
7.	Churches (Per Seat).....	.0075
8.	Clinics	
	(a) Per Staff.....	.0375
	(b) Per Patient.....	.0125
9.	Country Club (Each Member).....	.125
10.	Factories	
	(a) Each Employee (No Showers).....	.0625
	(b) Each Employee (With Showers).....	.0875
	(c) Each Employee (With Kitchen Facilities).	.1
11.	Fairgrounds (Per Person Based on Average Attendance).....	.0125
12.	Food Service Operations	
	(a) Ordinary Restaurant (Up to 12 Hours) (Per Seat).....	.175
	(b) Over 12 Hour Restaurant (Per Seat).....	.25
	(c) Curb Service (Drive in) (Per Seat).....	.25
	(d) Vending Machine Restaurant (Per Person).	.175
13.	Hospitals	
	(a) Per Bed.....	.5
	(b) Per Resident Staff.....	.25

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14.	Hotels	(Per Bedroom - No Restaurant).....	.25
15.	Institutions	(Per Resident).....	.25
16.	Laundries	(Self Service - Per Machine).....	1.0
17.	Mobile Homes	1.0
18.	Motels	(Per Unit - No Restaurant).....	.25
19.	Nursing Homes		
	(a)	Per Bed (No Laundry).....	.25
	(b)	Per Bed (With Laundry).....	.375
20.	Offices	(Per Person - No Restaurant).....	.0625
21.	Picnic Parks	(Average Daily Attendance) (Per Person).....	.025
22.	Residences	(Single Family).....	1.0
23.	Rest Homes		
	(a)	Per Bed (No Laundry).....	.25
	(b)	Per Bed (With Laundry).....	.375
24.	Schools		
	(a)	Per Person (No Showers, Gym, Cafeteria)	.025
	(b)	Per Person With Cafeteria (No Gym, Shower).....	.0375
	(c)	Per Person With Cafeteria, Gym & Shower.	.05
25.	Service Stations		
	(a)	Each Car Served (Per Day).....	.025
	(b)	Each Car Washed (Per Day).....	.1875
	(c)	First Bay.....	2.5
	(d)	Each Additional Bay.....	1.25
26.	Shopping Centers	(Per 1,000 sq. ft. Space- No Restaurants).....	.5
27.	Stadiums	(Per Seat - No Restaurants).....	.005
28.	Swimming Pools	(Per Person - With Sanitary Facilities and Showers).....	.025
29.	Theatres		
	(a)	Drive in (Per Stall).....	.0125
	(b)	Indoor (Per Seat).....	.0125